

**MINUTES OF THE  
GUBERNATORIAL AND LEGISLATIVE TASK FORCE ON  
ALTERNATIVE REVENUE SOURCES FOR WATER FUNDING**

Friday, October 4, 2002 – Room 405 State Capitol – 10:00 a.m. State Capitol

**Members Present:**

Sen. Leonard M. Blackham, Senate Chair  
Rep. David Ure, House Chair  
Rep. James R. Gowans  
Mr. Tage Flint  
Ms. Natalie Gochmour  
Mr. Joe Melling  
Mr. Bob Morgan  
Ms. Dianne Nielson  
Mr. Dave Ovard  
Mr. Warren Peterson

**Members Absent:**

Sen. Mike Dmitrich  
Mr. Ron Thompson

**Staff Present:**

Mr. Brian Allred, Research Analyst  
Ms. Jeanenne B. Larson, Associate General Counsel  
Ms. Glenda Whitney, Legislative Secretary

**Note:** A list of others present and a copy of materials can be found at <http://www.image.le.state.ut.us/imaging/history.asp> or by contacting the committee secretary, Joy Miller, at 538-1032.

**1. Committee Business**

Sen. Blackham called the meeting to order at 10:20 a.m. He excused Sen. Dmitrich and Mr. Thompson from the meeting.

**MOTION:** Rep. Gowans moved to approve the minutes of the August 12, 2002 meeting. The motion passed unanimously.

**2. Report From Water Funding Task Force Subcommittee**

Mr. Dave Ovard distributed a handout "Water Funding Alternatives Task Force Subcommittee Report." He said they were given the task of developing alternatives for water funding. He reviewed the issues that have been discussed in the subcommittee meetings, some of which include how counterpart state agencies in western states are funding water/wastewater needs, loan portfolios, use of 1/16 cent sales tax receipts, projected capital costs for water and wastewater infrastructure over the next 20 years, and water and wastewater rates. It is estimated that currently 15 percent of funding comes from state agencies. Eighty-five percent of the funding for water needs comes from local water rates, impact fees, property taxes, and other sources of income. More than ½ of the loans made from state sources are to rural agencies. Mr. Ovard indicated the Division of Water Resources, Division of Drinking Water, and the Division of Water Quality have been asked to give a presentation addressing the five specific issues outlined in the handout.

Mr. Tage Flint said the subcommittee has worked hard to identify viable alternatives. As alternatives are discussed and developed, many other issues arise as a result. He emphasized the complexity of the issue in terms of money and implementation.

Mr. Warren Peterson stated that the size of the need is greater than he anticipated. The complexity of developing additional water and implementing conservation measures are difficult issues. It is important to

make sure the alternatives considered keep pace with the need. Some of the biggest needs are in the area of water quality because of unfunded federal mandates.

Mr. Joe Melling indicated that sufficient funding for water development in some areas is difficult to obtain and can affect the quality of life.

Mr. Larry Anderson DWR (Division of Water Resources) distributed information on the water situation. He indicated that through conservation efforts, Utah's used 10 percent less water in 2002 than in 2001. Ten of the last 12 months have received substantially below average precipitation. He noted that every basin in the state has between 10-30 percent less storage in their reservoirs than last year. Mr. Anderson indicated that of the 5 million acre feet of water used in the state of Utah, 82 percent goes to agriculture. The average amount of water going to agriculture in the western United States is 86 percent. Mr. Anderson stated that since 1998, the Board (Board of Water Resources) has received over \$46 million from sales tax monies. From that amount \$22 million has gone to the Dam Safety Program, \$12 million to CUP mitigation, and \$12 million to the Conservation and Development Fund. DWR estimates that it will take another \$80 million to bring the remaining dams up to standard. Mr. Anderson pointed out that the total Board funding of projects per year is \$15 million. He reviewed the projects that have been approved for funding in the Revolving Construction Fund, the Cities Water Loan Fund, and the Conservation and Development Fund. Possible long-term projects being considered include Bear River Water Development, the Upper Green River Pipeline, and the Lake Powell Pipeline. The combined cost of the three projects equals \$870 million. He reviewed how other states are funding their programs and noted that General Fund appropriation is used by most states.

Mr. Kevin Brown, Division of Drinking Water, distributed a handout "Drinking Water Summary of Current and Future Funding Needs." He said from the most current rate and needs survey, it has been learned that \$184 million was spent on drinking water projects in 2001. State and federal agencies provided \$41.3 million of that total. Survey respondents indicated that in the years 2002 through 2005 they would spend a total of \$611 million on drinking water projects. There will be significant infrastructure needs over the next few years. He reviewed the other issues that were not reflected in the data that will have an impact on drinking water costs. Mr. Brown pointed out that for 2001, the average cost of culinary water for consumers was \$33.90 per month, per connection. Over the years the rate has been steadily climbing and water rates are increasing in the state. He reviewed the last six years of the Drinking Water Board funding history. Most of the water loans that the Drinking Water Board funds are for small communities.

Mr. Don Ostler, Division of Water Quality, distributed a handout "Division of Water Quality Wastewater/Water Quality Funding Information." He said the Water Quality Wastewater Loan Program was created in 1983 and was funded initially by the state with bonding and appropriations. In 1987 the federal government eliminated its grant program for municipalities for wastewater treatment plants and modeled a program after Utah's program for loans. The federal government then began providing funds for revolving loans which require a 20 percent state match and other conditions to be met. Mr. Ostler stated their loan portfolio is 1/3 state funds and 2/3 federal funds. He reviewed the current and future wastewater funding needs in Utah. Typical project needs include new sewers and treatment plants,

requirements to meet minimum treatment standards, requirements to meet water quality standards in the receiving streams, provisions for capacity for future growth, and wastewater reuse. He stated the current wastewater projects in planning total \$59.3 million. The 20-year wastewater needs total \$1.1 billion. Expected funding that is available from present sources is \$226 million. Mr. Ostler explained that funding methods in other states include appropriations, bonding, sales and tobacco tax, and lottery. He reviewed the benefits to communities from loans through the state loan program which include budget, operational, and community impacts. He discussed the positive economic and environmental impacts due to state wastewater loans, some of which include improved public health, protection of surface and ground water supplies, and reuse of the water.

Mr. Ovard stated that at the next meeting the subcommittee will present the executive summary and outline of the final report. He said the subcommittee intends to offer a number of alternatives for funding, water conservation, and financing.

### **3. Task Force Discussion**

The task force discussed several issues that the subcommittee should consider in formulating its report, including:

- the effect of impact fees on water development;
- a breakdown of rates and taxes within drinking water costs;
- developer's contributed infrastructure to water development
- the cost per lot for development;
- downstream benefits that result from what may be an upstream cost; and
- issues surrounding watershed management.

Ms. Natalie Gochmour reiterated that the charge of the task force is to develop alternative funding options. She emphasized the need for the report to focus on funding. She recommended the following guidelines for the subcommittee and task force to consider in formulating recommendations:

- creation of a protected fund dedicated to water development;
- alternative funding options related to use:
  - recreation (fishing and boating)
  - flood control
  - water quality for downstream users
  - fire protection
  - outdoor watering
  - etc.;
- alternative funding options that are shared statewide;
- alternative funding options that would generate more revenue than currently available;
- preserve the flexibility of the General Fund.

**4. Other Items / Adjourn**

The next meeting of the task force was scheduled for Monday, October 21 at 9:00 a.m. A meeting was also scheduled for Friday, November 15 at 9:00 a.m.

**MOTION:** Rep. Gowans moved to adjourn the meeting. The motion passed unanimously. Chair Blackham adjourned the meeting at 12:20 p.m.